

CITY OF SALINAS



ADOPTED BUDGETS

**OPERATING
and
CAPITAL IMPROVEMENT**

FY 2003 - 2005



CITY OF SALINAS
Recommended Budgets
Operating and CIP
2003 - 2005



Anna Caballero
Mayor

Sergio Sanchez
Councilmember
District 1

Gloria De La Rosa
Councilmember
District 4

Roberto Ocampo
Councilmember
District 2

Maria Giuriato
Councilmember
District 5

Janet Barnes
Councilmember
District 3

Jyl Lutes
Councilmember
District 6

Dave Mora
City Manager

Richard E Nosky
City Attorney

Daniel Ortega
Police Chief

Larry Bussard
Director of Redevelopment

John Fair
Deputy City Manager

Daniel Hernandez
Fire Chief

John Copeland
Director of Finance

Julia Orozco
Library Director

Jorge Rifa
Deputy City Manager

CITY OF SALINAS Organization Chart

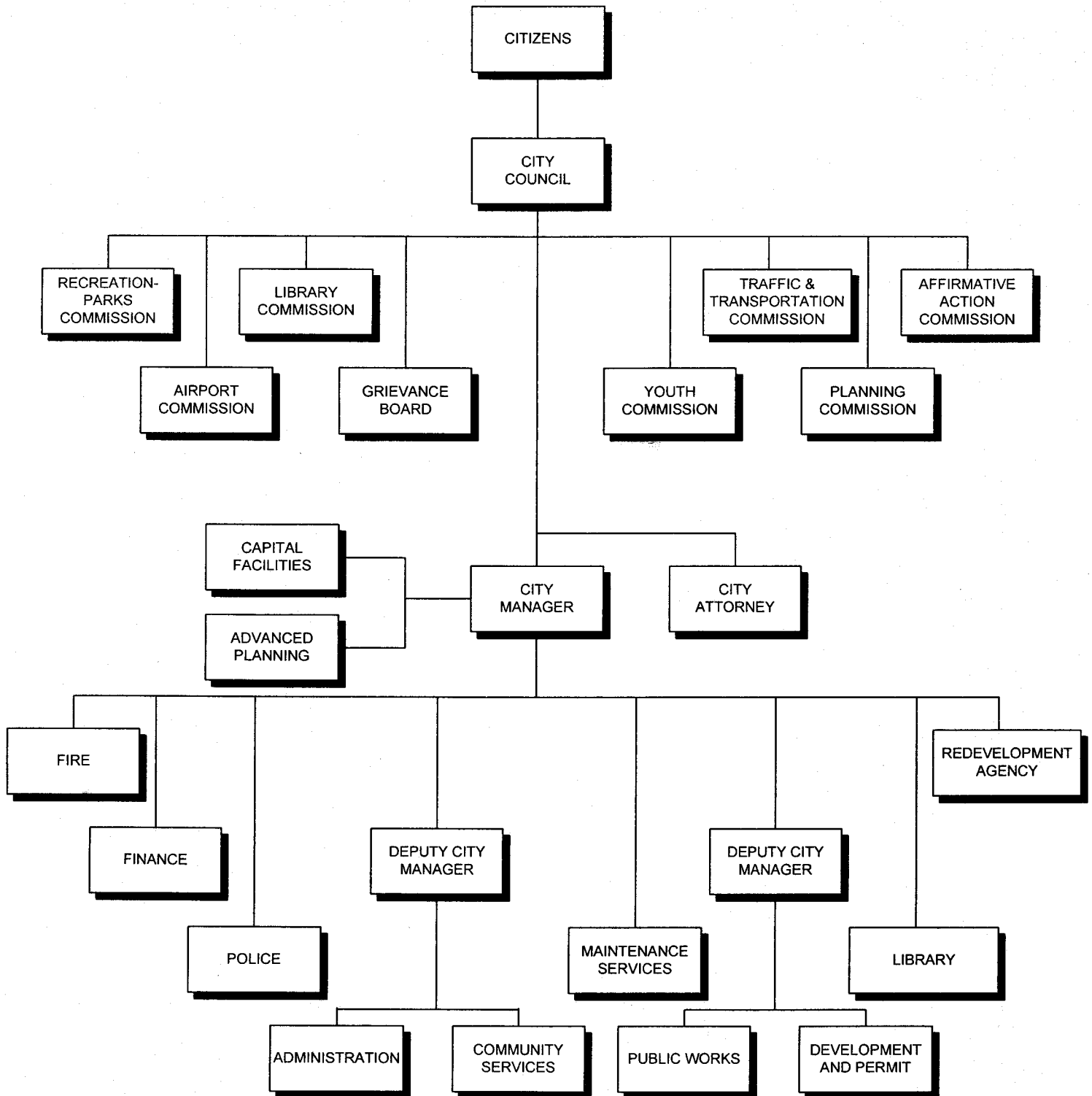


TABLE OF CONTENTS

LETTER OF TRANSMITTAL

FINANCIAL SUMMARIES

Budget Resolution FY 2003-04	1
Appropriation Limit FY 2003-04	3
Fund Balances FY 2003-04	4
Fund Transfers FY 2003-04	10
Administrative Overhead Rates FY 2003-04	12
Revenues – Transfers – Appropriations FY 2004-05	13
Fund Balances FY 2004-05	15
Fund Transfers FY 2004-05	21
Revenue	23

FINANCIAL POLICIES

Accounting	35
Reserves	35
Administrative Fees	36
Revenues	36
Operating Budget	37
Capital Improvement Program	39
Debt	40
Assessment and Community Facilities Districts	41
Maintenance Districts	45
Fixed Assets	46
Risk Management	50

GENERAL GOVERNMENT SERVICES

City Council	
Organization	51
Summary	52
City Council	54
Workforce	56
Goals	57
Administration	
Organization	63
Summary	64
City Manager's Office	68
Capital Facilities Development	70
City Clerk	72
Volunteer Services	74
Human Resources	76
Neighborhood Services	78
Advance Planning	80
Workforce	82
City Council Goals	84
Finance	
Organization	87
Summary	88
Administration	90

TABLE OF CONTENTS

Accounting	92
Purchasing	94
Information Systems	96
Revenue and Licensing	98
Workforce	100
City Council Goals	102
City Attorney	
Organization	103
Summary	104
City Attorney's Office	106
Workforce	108
City Council Goals	109
Non-Departmental	
Organization	111
Summary	112
Community Programs	114
Elections	116
65 West Alisal	118
Debt Service	120
Joint Power Authorities	122
Other Services	124
Other Services	129
Police	
Organization	131
Summary	132
Administration	136
Community Relations	138
Personnel and Training	140
Field Operations	142
Traffic Unit	144
Parking Control	146
School Crossing Guards	148
Vehicle Abatement	150
Support Services	152
Technical Services	154
Word Processing	156
Evidence and Property	158
Records	160
Maintenance Services	162
Investigation	164
Narcotics and Vice	166
School Resource Officers	168
Violence Suppression Unit	170
Reserves	172
Safe Schools/Healthy Students	174
Animal Control Services	176
DUI Enforcement	178
Asset Seizure	180
Weed and Seed	182
Workforce	184

TABLE OF CONTENTS

Capital Outlays	188
City Council Goals	189
Fire	
Organization	191
Summary	192
Administration	196
Suppression	198
Emergency Medical Services	200
Prevention	202
Training – Disaster Preparedness	204
Vehicle Maintenance	206
Hazardous Materials Control	208
Workforce	210
City Council Goals	211
Development and Permit Services	
Organization	213
Summary	214
Administration	216
Inspection Services	218
Plan Check Services	220
Compliance/Inspection Services	222
Workforce	224
City Council Goals	225
Public Works	
Organization	227
Summary	228
Administration	230
Water Resource Planning	232
Current Planning	234
Facilities/Water Engineering	236
Development/Transportation Engineering	238
Workforce	240
City Council Goals	242
Maintenance Services	
Organization	243
Summary	244
Administration	248
Graffiti Abatement	250
Facilities Maintenance	252
Vehicle/Equipment Maintenance	254
Street Maintenance	256
Street Lights	258
Traffic Signals	260
Park Maintenance	262
Urban Forestry	264
Workforce	266
City Council Goals	268

TABLE OF CONTENTS

Recreation-Parks	
Organization	269
Summary	270
Administration	274
Closter Park	276
El Dorado Park	278
Central Park	280
Facility Services	282
Reimbursable Recreation Activities	284
Youth Sports	286
Adult Sports	288
Aquatics	290
Recreation Center	292
Firehouse Recreation Center	294
Hebbron Heights Recreation Center	296
Community Center	298
Box Office	300
Safe Schools/Healthy Students	302
Kids House	304
Workforce	306
City Council Goals	308

Library	
Organization	309
Summary	310
Administration	314
Technical Services	316
Steinbeck Library	318
Cesar Chavez Library	320
El Gabilan Library	322
Literacy	324
Workforce	326
City Council Goals	328

INTERNAL SERVICES

Organization	329
Summary	330
Risk Management	332
General Insurances	334
Worker's Compensation Insurance	336
Liability Insurance	338
Workforce	340

ENTERPRISE OPERATIONS

Organization	341
Summary	342
Airport	346
Twin Creeks Golf Course	348
Fairways Golf Course	350
Industrial Waste	352
Sanitary Sewer	354

TABLE OF CONTENTS

NPDES - Storm Drain Sewers.....	356
NPDES - Street Sweeping	358
Workforce	360
Capital Outlays	362

ASSESSMENT AND MAINTENANCE DISTRICTS

Organization	363
Summary	364
Administration.....	368
Woodside Park	370
Downtown Mall	372
Airport Business Park	374
North East.....	376
Harden Ranch	378
Vista Nueva	380
Mira Monte.....	382
Oldtown Salinas Association	384
Salinas United Business District.....	386
Assessment District Bonds.....	388
Workforce	392

BLOCK GRANT

Organization	393
Summary	394
Administration.....	398
Public Services	400
Breadbox Recreation Center.....	404
Hebbron Heights After School Recreation	406
Closter Park After School Recreation.....	408
El Sausal After School Recreation	410
Community Programs.....	412
East Salinas Jazz-up	414
Firehouse After School Recreation	416
Central Park After School Recreation	418
Weed and Seed.....	420
Workforce	422
Capital Outlays	423

HOUSING

Organization	425
Summary	426
Administration.....	430
Rehabilitation.....	432
First Time Home Buyers.....	434
Rental	436
CHODO	438
Special Programs	440
Alisal Area Housing	442
Farm Labor	444
Workforce	446
Capital Outlays	447

TABLE OF CONTENTS

REDEVELOPMENT AGENCY

Organization	449
Summary	450
Central City Project.....	454
Central City Debt Service	456
Sunset Avenue Debt Service	458
Sunset Avenue Project.....	460
Workforce	462
City Council Goals	463

CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Projects by Department	1
Capital Improvement Projects by Funding Source.....	10
Capital Improvement Projects (Detail).....	23

CHART OF ACCOUNTS

Expenditures.....	
-------------------	--

MEMORANDUM

DATE: May 30, 2003

TO: Mayor and City Council

FROM: Dave Mora, City Manager

SUBJECT: FY 2003-2004 / 2004-2005 RECOMMENDED BUDGET

Introduction

On June 10, the City Council will review the recommended FY 2003-04 / FY 2004-05 budget for the City of Salinas and the Salinas Redevelopment Agency. This is the second two-year budget submittal in the City's history. Although the City Council focuses on the first year for purposes of formally adopting a services plan, the second year information and estimates provides a snapshot of the future that in the case of FY 04-05 is not at all positive. The two-year budget process and the information developed for the full twenty-four month period is even more critical in the current economic environment as expenditures will increase dramatically in certain key areas while current revenue sources either remain stable or grow very modestly.

The recommended budget has been under discussion for a number of months and the written document is consistent with the information previously provided to the Council and community regarding the City's finances, the significant problems facing the City, and the actions required to assure the financial integrity of the City during the next few years. The number of budget briefings provided to the full Council in the development of the budget is unprecedented in the City's history. It has been a deliberate effort to assure that there is full knowledge of the City's financial condition and the future ability of the City to maintain basic services.

The review, discussion, and FY 03-04 budget adoption will be the first step in the process as the budget adoption will be followed by efforts to prepare for further reductions in services in FY 04-05 and very likely in FY 05-06. The overall impacts associated with the economic downturn and significant increases in personnel retirement and health costs require actions that will go far beyond the impacts of the last major Salinas City budget problems of the early 1990s. However, the City's current financial condition will allow for a much less intense and divisive FY 03-04 budget review than the situation ten (10) years ago. The significant difference is that the FY 03-04 recommended budget does not require mandatory layoffs of employees in order to balance revenues and expenditures.

Unfortunately, the FY 04-05 and FY 05-06 budgets will likely not be able to be developed without a requirement for reductions that include employee layoffs. As services are reduced and the number of permanent positions becomes less, there will be fewer vacancies and the level of services provided in many areas will become basic to the point that further reductions cannot be made without impacting health and safety. There is no recourse absent significant increases in General Fund revenues during the next few years. It is highly unlikely that those increases will appear.

Budget Preparation

During the last few months, each City Council meeting has included a status report on the City's budget development, the state of the economy, and discussion of key factors impacting the budget, specifically, actions being considered by the State of California and the County of Monterey. These reports have been provided to assure a full understanding of the seriousness of the City's financial problems and to assure that the final, printed, recommended budget had no surprises. The almost constant reporting included three (3) focused General Fund briefings for the City Council.

On April 15, staff provided the first of these briefings to City Council. The April 15 report advised that staff had completed a preliminary calculation of FY 03-04 / FY 04-05 General Fund expenditure and revenue estimates, concluding that the combination of increased cost for retirement and health benefits, when combined with minimal revenue growth, resulted in deficits (projected expenditures less than projected revenues) for at least two (2) to three (3) years.

The analysis indicated that total personnel costs for currently authorized positions (FY 02-03) would increase by at least \$9.6 million over a two-year period. Base salary increases totaled \$3,063,239. This increase included the addition of 14.5 positions in FY 02-03. The two-year PERS cost increases were a minimum of \$4,622,418. The two-year increase in health insurance and cafeteria benefit costs were a minimum of \$1,036,597.

The General Fund revenue projections for the next two-years assumed a marginal increase in FY 03-04 and modest growth in FY 04-05. The loss of booking fee reimbursement and the McGraw-Hill sales tax correction represented an approximate \$700,000+ loss in FY 03-04. Major revenue sources were estimated to grow only very slightly.

Staff advised that the City would require a multi-pronged strategy to survive the next two years. The strategy would include significant service reductions, employee participation in reducing costs, increased revenue, and continued efforts to deliver services in more cost-effective manners. Staff recommended that the Council conceptually approve a framework for the FY 03-04 / FY 04-05 General Fund budget inclusive of:

- Use of the SVSWA pre-payment to absorb increased PERS costs.
- Use of Operating Reserves to cushion the economic downturn.
- March 2004 election to consider business license tax and paramedic parcel tax assessment.
- Identification of uniform and universal employee participation alternatives in expenditure reductions.
- Commitment to incumbent employees in understanding job changes may be required – cannot be guaranteed if State / County further raid Salinas revenue or increase costs.

The framework was approved, as were target FY 03-04 expenditure reductions of approximately \$4,000,000 and FY 04-05 reductions of a minimum of \$1,000,000.

On May 13, staff provided the second in the series of formal budget briefings for the City Council. The purpose of the May 13 meeting was to detail specific expenditure reductions identified for inclusion in the recommended budget.

The items presented on May 13 were consistent with the policy direction approved by City Council on April 15. The reductions in services involved the elimination of authorized positions in the city workforce. The majority of the positions identified to be eliminated were (and continue to be) vacant. Some positions were not vacant; however, staff advised that there were other vacant positions in the City workforce to which employees could transfer, be demoted to, or promote to in order to avoid mandatory layoffs.

The recommended reductions were "opportunities" based on vacancies. There was no attempt to define "across the board" reductions in all departments, nor was there any significant attempt to define priorities. Consequently, there was a disproportionate impact on maintenance service activities in the recommended reductions. This strategy was and continues to be recommended at this time because the service reductions identified for FY 03-04 will not be sufficient to meet the City's overall revenue shortfall. There will be at least one other round of significant service level reductions, including the elimination of additional positions. This second (and subsequent) round(s) would be focused on establishing priorities to maintain basic, critical city services. It is anticipated that there will be few, if any, further reductions in maintenance services and that future reductions will be in programs and services not reduced in this first round.

The impacts of the required reductions that were described on May 13 were characterized as "less revenues produce less services". City employees will be doing less with less, not more with less.

Service level reductions were described in the following areas:

Public Works Maintenance Services

- urban forestry
- parks / landscape maintenance
- custodial services
- building facility maintenance
- street maintenance

Public Works Planning & Engineering

- water resources planning

Library Services

- operating hours
- literacy program

Recreation Services

- after school programs
- tennis courts maintenance

Police Services

- animal control services
- public service / records
- grant funded positions

Fire Services

- training
- disaster preparedness planning
- fire inspection service

Non-Departmental

- non-profit support
- Youth Commission
- National League of Cities

Internal Service Funds

- workers compensation fund

Redevelopment Agency

- property tax shift impacts

On May 20, staff provided the third in the series of formal budget briefings for the City Council. The purpose of the May 20 meeting was to provide re-organization concepts that would further reduce General Fund expenditures and for the most part involved the elimination of senior management positions from the City workforce. Again, those recommendations were made in a manner consistent with City Council policy direction. This report outlined those recommendations as they impact the following departments:

Public Works Department
Community Development Department
Development and Permit Services Department
Recreation and Parks Department
Police Department
Fire Department
City Manager's Office

Summary descriptions of the reorganization recommendations were presented as follows:

Development and Permit Services

The current departments and department director positions of Public Works, Community Development, and Development and Permit Services would be eliminated. A new department managed by a Deputy City Manager for Development and Permit Services would be created. The new department would include all current Public Works Department activities except the Corporation Yard, all activities in the Development and Permit Services Department, the Current Planning Division of the Community Development Department, and most elements of Fire Prevention.

Police Department

Three (3) Police Captain positions would be eliminated. One position is currently vacant. The remaining two (2) Police Captain positions will be reclassified to Deputy Police Chief. The duties and responsibilities of position to be eliminated will be reassigned among the Chief and the two (2) Deputy Chiefs.

Fire Department

The recommended budget includes a restructuring of the Fire Department management team, reducing the number of management positions from nine (9) to seven (7). The Fire Chief will be designated Fire Marshal and the Deputy Fire Marshal will report to the Fire Chief on those matters that require a formal, state-mandated Fire Marshal decision. Otherwise, the Deputy Fire Marshal and the Fire Prevention Bureau will work in the expanded Development and Permit Services office with the Deputy Fire Marshal reporting to the Deputy City Manager. The remaining five (5) positions will be designated Battalion Chief, with three (3) dedicated to managing the three (3) 24 hour platoons. The two (2) other Battalion Chiefs will be assigned responsibility for training, EMS, administration, and other activities that will be the subject of review by the incumbents and the Fire Chief. This realignment of activities also assumes that non-management Fire Department staff will be working on a number of support activities including training and EMS. Again, the details of this additional support will be developed by the Chief, management staff, and non-management sworn personnel in the department.

City Manager's Office

The current Assistant City Manager will be reclassified as Deputy City Manager and will increase his direct span of control and responsibility to include the Recreation and Park activities (managed by a Recreation and Parks Superintendent) and the CDBG/Housing division of the Community Development Department. There will be other assignments to the Deputy City Manager as further organizational realignment opportunities develop.

The City Manager's Office will also include an Advanced Planning section headed by a

Planning Manager. This section will have primary responsibility for policy development and implementation associated with the newly adopted General Plan. Responsibilities will include completion of the Inclusionary Ordinance Revision, the Zoning Code Update, actions required to expand the City's sphere of influence and eventually the City's boundaries consistent with the adopted General Plan, and anticipated work with the development community to provide opportunities for accelerated residential development north of Boronda Road as provided for in the adopted General Plan. The Planning Manager will at least initially work directly for the City Manager. The City Manager's Office will also continue the lead responsibility for Capital Facilities Planning centered on the eventual sales tax override election that will be required for new facilities.

It is also anticipated that the City Manager will be more actively involved in downtown development activities associated with the Redevelopment Agency, especially in light of the reduced hours budgeted for the incumbent Redevelopment Director in FY 03-04. The Redevelopment Director will be budgeted in the next fiscal year at 80% effective July 1, 2003 and 60% effective January 1, 2004.

Maintenance Services Department

The consolidation of development and permit services described above will add extraordinarily to the duties and responsibilities of the individual assigned to the position of Deputy City Manager for Development and Permit Services. In recognition of that increase, it is proposed that the long discussed and anticipated separation of the Corporation Yard as an independent department reporting directly to the City Manager be accomplished effective July 1, 2003.

The net impact of the re-organization proposals results in the elimination of two (2) department director positions and three (3) other senior level management positions in the Police and Fire Departments. As described, a number of functions will be consolidated in this effort and a limited number of staff are being asked to take on additional responsibilities, as opposed to the reductions recommended in this budget with the assumption that employees would be "doing less with less." At the same time, the proposed reorganizations will require at least four (4) current management staff to "bump back" to previously assigned positions. All effected employees will have base salary "y-rated".

To the extent that schedules have permitted, the budget development process and the policy framework associated with it have been discussed in detail with City employees. Briefings have been held at City Hall, the Corporation Yard, and the Steinbeck Library. The intent was and continues to be that employees are aware of the City's financial situation and the actions required to assure the City's financial solvency. Just as importantly, the briefings have emphasized the fundamental policy direction that the FY 03-04 recommended budget would be developed in a fashion to not require mandatory layoffs, assuming no extraordinary "takeaways" by either the State of California or the County of Monterey. The potential for greater State raids on City revenue is well known. The potential for County of Monterey

impacts associated with the booking fee and 911 costs has been discussed at length.

Recommended Budget

Having spent the last few months developing the budget and providing briefings, the final recommended document is now a matter of public record. The information and recommendations detailed in the budget document are consistent with the information provided in the April and May budget briefings. Most importantly, and as has been stated many times, the recommended budget was developed with one overriding policy objective – no mandatory layoffs. The recommended budget does not reflect or implement the stated goals and objectives of the City Council. If it did so, there would be additions in code enforcement personnel, provision of school resource officers in all City schools, an expanded neighborhood services component, an increase in library hours, increased parks maintenance, an aggressive after school recreation program, an enhanced literacy program, and additions in practically every other service provided by the City. Unfortunately, any increases in services in these areas would have to be balanced by an equal reduction in the General Fund investment in some other service(s).

The City Council is not asked to make those difficult policy choices in this document. There is no request that a decision be made as to whether police or libraries should be reduced or increased, whether code enforcement or fire prevention should be reduced or increased, whether tree maintenance or street maintenance should be reduced or increased. Rather, the recommendations included in the budget for service reductions have been developed on the basis of vacancies in City services and the ability to transfer incumbent employees from the General Fund to enterprise fund activities. There are no mandatory layoffs required to implement the recommended work program contained in the budget. Unfortunately, there is a requirement for the reassignment of incumbent personnel and in some cases the demotion of incumbent personnel. However, all effected employees can be assigned to positions for which they are qualified and have work experience.

The City Council will still have to make tough policy choices as the FY 04-05 and FY 05-06 programs are developed. The financial analysis detailed in the recommended budget advises that costs will increase far beyond current revenue growth in the next few years. Without additional revenue sources, further service level reductions will be required. The FY 04-05 portion of the budget provides the broad parameters of those reductions – a minimum of \$1,000,000 from General Fund services. The FY 04-05 budget also assumes enhanced revenue of a minimum of \$1,500,000, without which an equal amount of services would have to be reduced. The FY 04-05 portion also assumes a minimum employee participation in expenditure reductions of \$500,000+ without which an equal amount of services would have to be reduced.

Because the second year problems are known, staff is asking that the City Council begin the significant policy discussions and budget review activity for FY 04-05 as early as September / October, 2003. Ideally, the City Council will approve the specifics of further reductions by

December 31, 2003 so that staff will have at least six (6) months to work with employees on re-assignment, re-training, and transition from the City workforce. The choices that will be made by the City Council will focus on reductions in services; there will be no General Fund resources available for enhancements unless other services are reduced.

There are some minor presentation inconsistencies that need to be noted in the recommended budget document. While the organization charts included in the recommended budget are consistent with the overall reorganization recommendations, some program budget narrative may not be included in sequence for each department. Proper sequencing and placement in the budget document will be addressed after the budget is adopted.

Goals and Objectives

Past budget submissions have referenced the City Council's goals and objectives as the budget was deliberately developed consistent with those goals and objectives. The current submission is an exception. The primary focus of the budget is assuring that no mandatory layoffs are required. Therefore, the service reductions have been developed around existing vacancies. It is anticipated that further required budget reviews associated with the FY 04-05 and FY 05-06 budgets will focus on goals, objectives, and priorities.

Retirement Programs Costs

PERS rates will increase dramatically during the next few years. PERS costs are the most significant expenditure problem faced by the City of Salinas, as well as all other local government jurisdictions in the State of California. Although the enhanced retirement benefits provided to both police officers (2%@50 to 3%@50) and non public safety employees (2%@60 to 2%@55) will increase costs to the City, the rate increase for Fire noted below provides evidence that the PERS investment losses are the primary reason for rate increases. The Fire rate will increase substantially without any change in benefits.

The PERS rates for FY 2003-2004 (confirmed) and FY 2004-2005 (PERS estimate) are:

<u>Category</u>	<u>FY 2003-2004</u>	<u>FY 2004-2005</u>
Police	14.812%	27.500%
Fire	11.182%	22.000%
Miscellaneous	3.386%	9.600%

The New York Life Retirement program continues to be more costly. The New York Life Retirement Program will require an eighteen (18%) percent City contribution in FY 2003-2004, equal to the FY 2002-2003 rate.

FY 2003-2004 / FY 2004-2005 RECOMMENDED BUDGET

Page # 9

Overall Investments

The total FY 03-04 recommended appropriation for all funds is \$129,180,200. The recommended General Government appropriations total \$65,833,200 including General Fund Operating Budget appropriations of \$64,666,700. The remaining recommended investments in FY 2003-2004 include:

Internal Services Funds	\$ 5,306,300
Enterprise Operations	\$ 8,782,400
Assessments and Maintenance Districts	\$ 6,114,400
Federal Block Grant	\$ 1,670,800
Housing Fund	\$ 3,602,400
Grant Programs	\$ 186,900
Debt Service	\$ 1,739,600
Redevelopment Agency	\$ 2,941,900
Capital Improvement Program	\$33,002,300

It is recommended that City Council adopt resolutions as required to authorize appropriations in these amounts for FY 2003-2004.

The total FY2004-05 recommended appropriation for all funds is \$118,915,800. The recommended General Government appropriations total \$70,980,900 including General Fund Operating Budget appropriations of \$69,426,500. The remaining recommended investments in FY 2004-2005 include:

Internal Services Funds	\$ 5,380,100
Enterprise Operations	\$ 8,041,400
Assessments and Maintenance Districts	\$ 6,063,100
Federal Block Grant	\$ 1,743,300
Housing Fund	\$ 3,594,900
Grant Programs	\$ 46,800
Debt Service	\$ 1,738,100
Redevelopment Agency	\$ 2,834,600
Capital Improvement Program	\$18,492,600

General Fund Revenues

As has been noted, reported, and emphasized during the last few months, General Fund revenues are below current year (FY 02-03) original estimates, will be flat in FY 03-04, and projected to achieve very modest growth in FY 04-05. The growth in revenue is not sufficient to maintain current City services in light of the significant cost increases associated with retirement and health benefits.

General Fund revenues are estimated at \$61,094,800 in FY 2003-2004 with four (4) major

FY 2003-2004 / FY 2004-2005 RECOMMENDED BUDGET

Page # 10

revenue categories representing slightly over seventy-seven (77%) of that revenue. Those major categories are:

Sales Tax	\$20,700,000	(33.9%)
Property Tax	\$ 9,495,000	(15.5%)
Motor Vehicle in Lieu	\$ 9,200,000	(15.1%)
Utility Users Tax	\$ 7,750,000	(12.7%)
Subtotal	\$47,145,000	(77.2%)

Other General Fund resources for FY 2003-2004 include:

Other Revenue	\$13,949,800
Interfund Transfers	\$ 785,100
Operating Reserve / Pre-payment	\$ 3,500,000
Capital Projects Reserve	\$ 613,900
Fund Balance	\$ 0

The FY 04-05 General Fund revenue projections are slightly more ambitious, yet well below historical growth trends.

General Fund revenues are estimated at \$64,845,000 in FY 2004-2005 with four (4) major revenue categories representing almost seventy-seven (77%) of that revenue. Those major categories are:

Sales Tax	\$22,000,000	(33.9%)
Property Tax	\$10,040,000	(15.5%)
Motor Vehicle in Lieu	\$ 9,500,000	(14.7%)
Utility Users Tax	\$ 8,000,000	(12.3%)
Subtotal	\$49,540,000	(76.4%)

Other General Fund resources for FY 2004-2005 include:

Other Revenue	\$15,305,000
Interfund Transfers	\$ 620,500
Operating Reserve / Pre-payment	\$ 3,150,000
Capital Projects Reserve	\$ 488,900
Fund Balance	\$ 34,200

General Fund Operating Reserve / SVSWA Pre Payment

As previously noted, even with a minimum of \$5,000,000 in General Fund expenditure reductions during the next two (2) years, the extent of the General Fund deficit requires the use of the General Fund Operating Reserve and the SVSWA Pre-payment. The City has used its Operating Reserve in prior years to maintain services in years when revenues were not sufficient to maintain existing service levels. A similar use is recommended in both FY 03-04 and FY 04-05, without which further reductions in services beyond the minimum \$5,000,000 would be required.

The status of the General Fund Operating Reserve / SVSWA Pre-payment is:

Estimated July 1, 2003 Balance	\$6,650,000
Recommended FY 03-04 Use	<u>\$3,500,000</u>
Estimated July 1, 2004 Balance	\$3,150,000
Recommended FY 04-05 Use	<u>\$3,150,000</u>
Estimated June 30, 2005 Balance	\$0

State Budget Impacts

The next few fiscal years will continue the state government's reliance on local revenue to balance the state budget. The Governor's May Budget Revision includes two major elements impacting the City's General Fund. First, the Governor has proposed the elimination of the Booking Fee Reimbursement program. This will result in the loss of \$540,000 to the City. The booking fee reimbursement loss is assumed in the recommended budget. Second, the state backfill of VLF losses is eliminated – a loss of \$5.5 million to the City. The Governor's budget assumes the full restoration of the VLF paid by California's automobile owners so that the state reimbursement loss would be fully offset. The recommended budget assumes the restoration, without which many City services would come to an end. The loss of the \$5.5 million VLF, coupled with the services already recommended for reduction, would go beyond the impacts described with the Utility Users Tax repeal initiative described last year.

As a reminder, the state continues its raid on local government property tax revenue. The estimated FY 03-04 loss to the City is in excess of \$3,000,000. Although the Governor has not proposed any additional raid on City property tax revenue, the final State budget will be unknown for sometime, as will the final impacts on the City. Quite simply, any impact beyond the loss of the booking fee reimbursement will require further reductions in General Fund supported services.